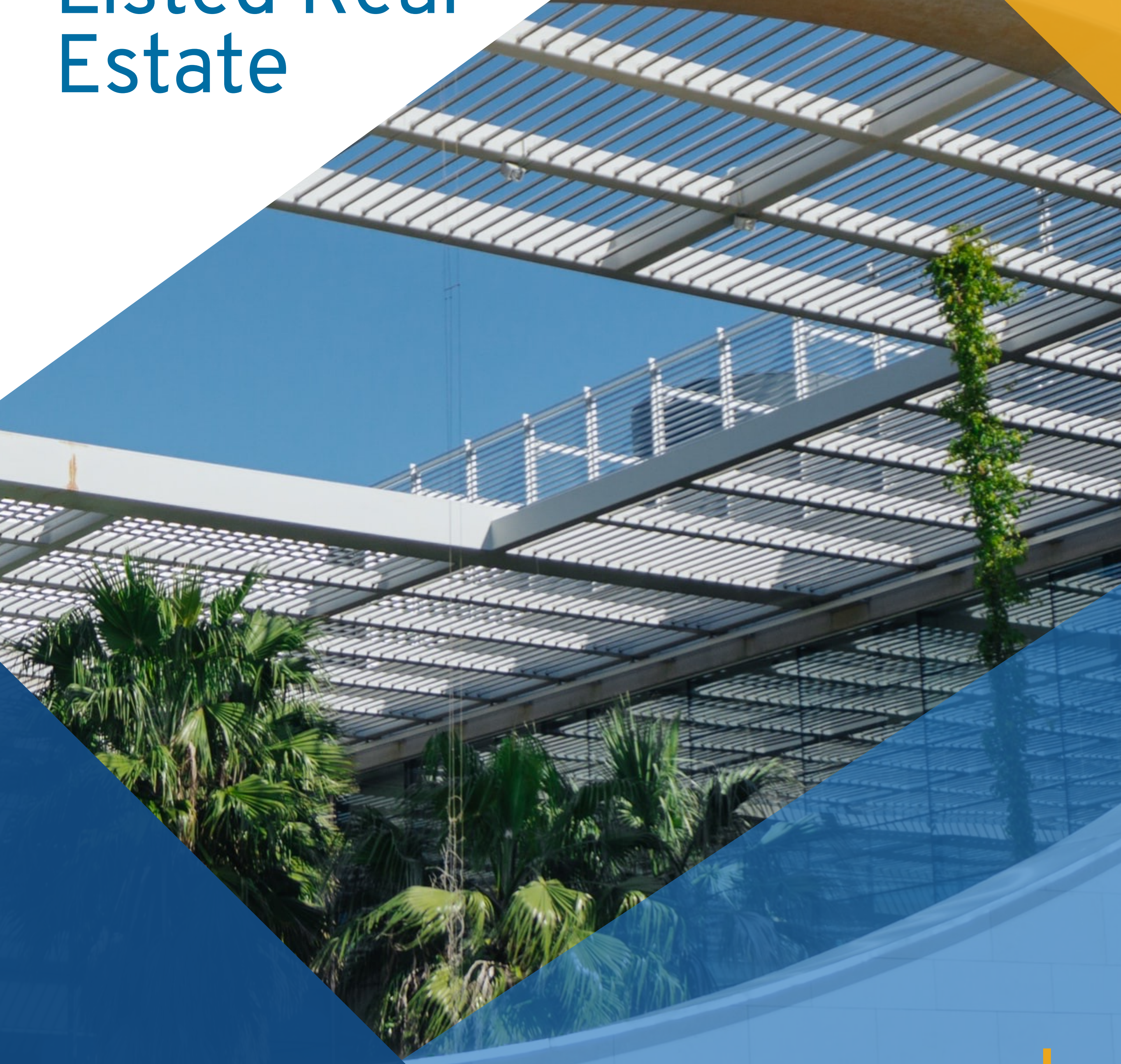
EPRA GUIDE

2022

EU Taxonomy Alignment in Listed Real Estate



A practical guide to determining if Listed Real Estate activities are environmentally sustainable as per the criteria of the EU Taxonomy

EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

CONTENTS

INTRODUCTION

The European Public Real Estate Association (EPRA) is the voice of the publicly traded European real estate sector, aiming at sharing information with investors and stakeholders, while promoting best market practices and cohesion of the sector. As such, EPRA plays a key role in sharing information on the latest EU regulations to guide members through the upcoming challenges and reporting requirements.

Having said that, EPRA has put together the content of this report with the aim of providing guidelines to its members on the implementation of the Regulation (EU) 2020/852, known as the EU Taxonomy. The content of this report aims at covering the questions gathered from the EPRA members, following several workshops, such as:

- **How do I report on the eligibility of activities?**
- **How do I report the alignment of activities?**
- **How can I define the top 15% building stock?**
- **What methodology to use for reporting of Turnover, CapEx, OpEx percentages?**

At the same, EPRA is neither issuing an opinion nor rules that EPRA members must follow. On the contrary, the content of this report should be seen as a support or guidebook during the implementation phase. Any methodologies EPRA has presented herein as market practices must be adapted to the local regulations where the asset resides or confirmed by your auditor.

What is the EU Taxonomy? The tipping point was in December 2019, when the European Commission (EC) renewed its climate commitment through the European Green Deal, which set the goal to achieve climate neutrality by 2050. With this target in mind and some additional local interim net zero targets by 2030, the EC launched a series of regulations, including the EU Taxonomy, involving both financial and non-financial actors to enhance reporting transparency and to mobilise capital towards a more sustainable economic system.

The EU Taxonomy, dated 18 June 2020, aims to provide a common language to define those activities that are deemed as environmentally-sustainable, by targeting six main environmental objectives. It also establishes clear criteria that economic activities need to meet in order to be classified as environmentally sustainable.

Why is the EU Taxonomy important for the Real Estate sector? The Real Estate sector is increasingly in the spotlight of the EU Taxonomy, as buildings, according to estimates, are responsible for 40% of energy consumption and for 36% of greenhouse gas emissions in the EU, due to construction, usage, renovation and demolition[1]. Therefore, real estate companies' continued transformation and continuous effort to have sustainable activities will be a key support in achieving carbon-neutrality targets. Given the importance of sustainability integration for this sector, the EC developed a set of delegated acts on how to perform the analysis and how to report the information.

> The Real Estate sector has a high impact on the environment. The EU now defines environmentally sustainable real estate activities through the criteria of the EU Taxonomy.

[1]European Union, *"In focus: Energy Efficiency in buildings*", available at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

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OBJECTIVES

The current guidelines aims at providing:

1. A general overview on the EU Taxonomy (Chapter 1, pp. 5-9)

2. A focus on the eligibility and alignment criteria tailored to the economic activity 7.7 Acquisition and ownership of buildings (Chapter 1, pp. 10-11), in the context of Climate Change Mitigation (CCM) (Chapter 2, pp. 12-16) and Climate Change Adaptation (CCA) (Chapter 3, pp. 17-21)

3. General guidelines for reporting on Taxonomy eligibility and alignment for the economic activity 7.7 (Chapter 4, pp. 22-35)

4. A summary of key challenges and selected market practices (Chapter 5 pp. 36-39)

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1 Regulatory Context EU Taxonomy

1.1 What is the EU Taxonomy?

The EU has set up a dedicated Action Plan on Financing Sustainable Growth in order to increase investment that has a positive environmental and social contribution. As described by the EC, the objective is to shift capital flows away from activities that have negative social and environmental consequences and to direct finance towards economic activities that have genuine long-term benefits for society, reduce risks and enhance returns.

The EU Taxonomy serves as a backbone to the EU's sustainable action plan by providing a common language on which economic activities can be considered as environmentally sustainable. It is intended to be used by regulators both at EU and national level, across all market sectors. Please refer to Figure 1 for a complete picture of the legislative framework.

The Taxonomy's application in terms of corporate disclosures does not effectively replace any previous non-financial disclosures but comes as an additional element.

EU TAXONOMY REGULATION

2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020
on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

PROVISIONS ON TAXONOMY DISCLOSURE

Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

TECHNICAL SCREENING CRITERIA

EU CLIMATE TAXONOMY

Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

- Climate change mitigation (CCM)
- Climate change adaptation (CCA)

EU ENVIRONMENTAL TAXONOMY

Pending the Commission's Delegated Regulation

- Sustainable use & protection of water & marine resources
- Transition to a circular economy
- Pollution, prevention and control
- Protection, restoration of biodiversity & ecosystems

Figure 1 – EU Taxonomy: legislative framework

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1.1 What is the EU Taxonomy (cont.)?

The regulation sets out four main criteria described in Figure 2, which need to be met in order for an eligible economic activity to be considered as an environmentally sustainable economic activity:

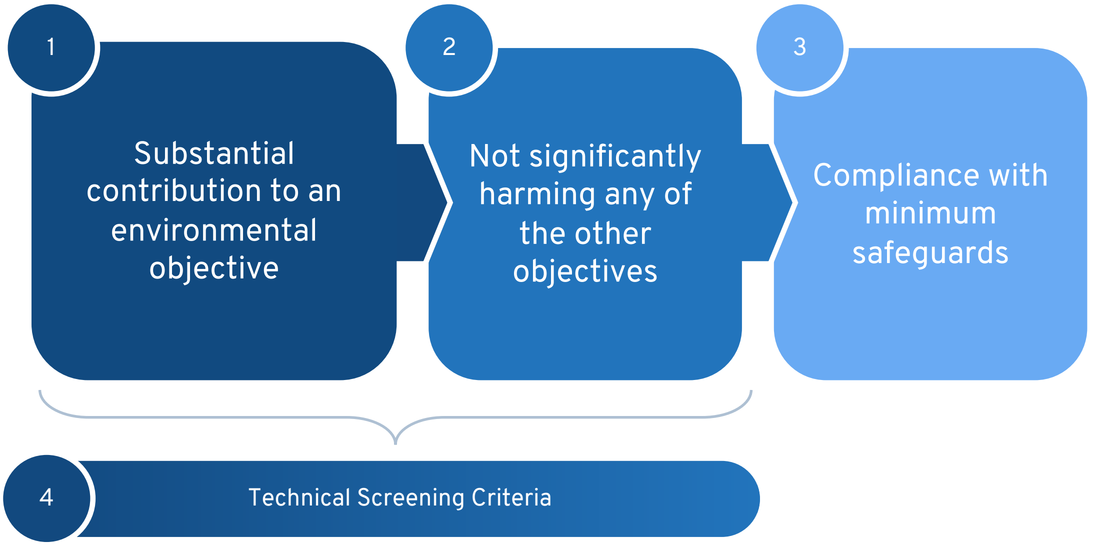

Figure 2 – EU Taxonomy criteria

The environmental objectives set out by the EU Taxonomy are 6 in total and they will be further described on page 7.

Furthermore, a Commission Delegated Regulation was released dated 4 June 2021 supplementing the EU Taxonomy by establishing the Technical Screening Criteria (TSC). It determines the conditions under which an economic activity qualifies as contributing substantially to the first two defined objectives of the EU Taxonomy, CCM and CCA and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

The Delegated Regulation (also called Climate Delegated Act) includes the detailed screening for the set of economic activities eligible to make a substantial contribution to climate change. Such as for example agriculture, manufacturing, transportation, real estate and construction activities, amongst others.

The TSC has two sections for each of the already defined EU Taxonomy objectives:

TSC for determining the conditions under which an economic activity qualifies as contributing substantially to CCM and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, as per Annex I of the delegated regulation.

TSC for determining the conditions under which an economic activity qualifies as contributing substantially to CCA and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, as per Annex II of the delegated regulation.

At the same time, in the context of the EU Taxonomy it is important to distinguish between the terms "eligibility" and "alignment". The key steps that need to be undergone to conclude on the eligibility and the alignment of an economic activity are summarised in Figure 3.

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Figure 3 – EU Taxonomy eligibility and alignment steps

Step 1 Eligibility assessment of the economic activity

- ***The first step*** *is to analyze whether the activity is part of the scope of the TSC.*
- *The economic activities are defined and are linked to the relevant NACE sectors. The mapping between NACE codes and the eligible activities is not a one-to-one system, but one economic activity may be associated with several NACE codes (page 10). It is also highly important to understand the definition of the activity behind to ensure the proper interpretation of the activity as eligible.*
- *Not all economic activities that companies may perform are eligible.*
- *If the activity is not defined in the screening criteria, it is not eligible under the EU Taxonomy and therefore, it cannot be considered as environmentally sustainable.*

Step 2 Alignment assessment of the economic activity

2.1 Substantial contribution

- *For eligible activities, the analysis of the alignment can be performed by checking whether the activity makes a* ***substantial contribution*** *to an environmental objective.*

2.2 DNSH

- *The next step is to make sure, that, while contributing to one objective, the activity* ***does not significantly harm (DNSH)*** *the other 5 objectives according to the checks set out in the TSC.*

2.3 Minimum safeguards

- ***Finally,*** *the activity needs to comply with minimum social safeguards to qualify as environmentally sustainable.*

All the checks need to be met to consider the alignment of the activity.
Please note, the substantial contribution and DNSH checks are specific to the activity and the objective. Minimum safeguards are always the same regardless the economic activity or the objective.

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1.2 What are the EU Taxonomy objectives?

The EC has defined six environmental objectives, as described in Figure 4:

Figure 4 – EU Taxonomy environmental objectives definition and their entry into force

**Please note that these date are indicative only and subject to regulatory change and potential postponements*

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1.3 Key milestones of the EU Taxonomy Timeline

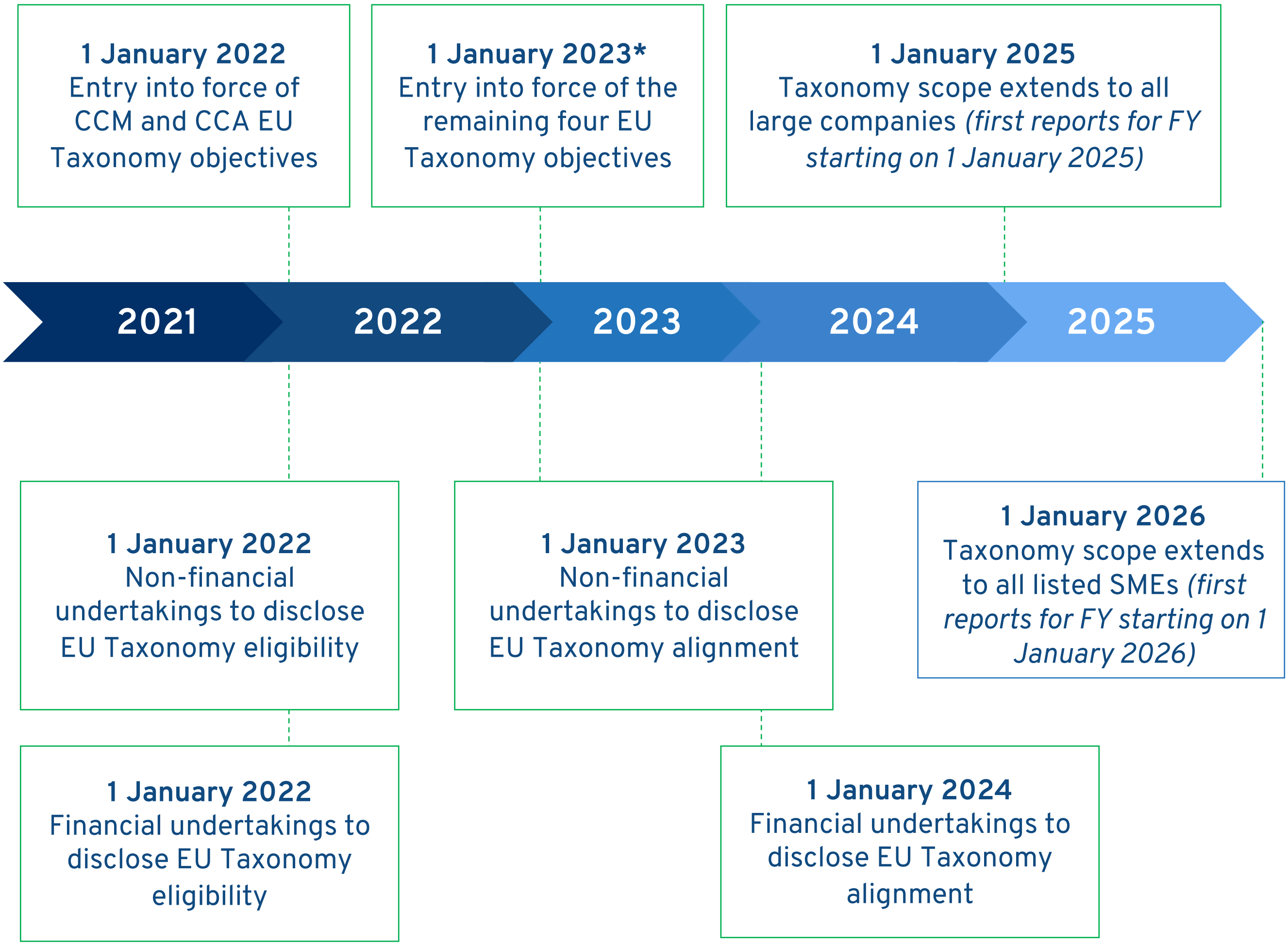

Figure 5 – EU Taxonomy timeline

Only undertakings which are defined as large public-interest companies with >500 employees, fall under the EU Taxonomy disclosure requirements until 2025 (reporting on 2024 data).

For financial years starting on or after 1st of January 2025, the scope is extended to companies that meet at least 2 out of the 3 criteria: >250 employees, Turnover >€40 million; Balance sheet exceeding €20 million, and certain SMEs, as to report on Taxonomy eligibility and alignment.

Note that the scope of the EU Taxonomy for listed property companies is the same as the scope of the Non-Financial Reporting Directive (NFRD) and the upcoming Corporate Sustainability Reporting Directive (CSRD).

**Please note that these date are indicative only and subject to regulatory change and potential postponements*

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1.4 What are the EU Taxonomy activities for Real Estate?

In scope of the current report, the following sections and chapters will focus on the Real Estate Sector.

The Construction and Real Estate activities are grouped together and included in Section 7 of the TSC and comprises of seven activities detailed in Figure 6:

These economic activities can be of three types:

1. **Stand-alone**
2. **Enabling:** activities that directly enable other activities to make a substantial contribution to an environmental objective
3. **Transitional:** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance

Each activity shall have a specific TSC for each of the environmental objectives. However, as of today, only the TSC related to CCM and CCA have been defined by the EC. The criteria for the remaining objectives is still under development and the list of economic activities may change for those objectives.

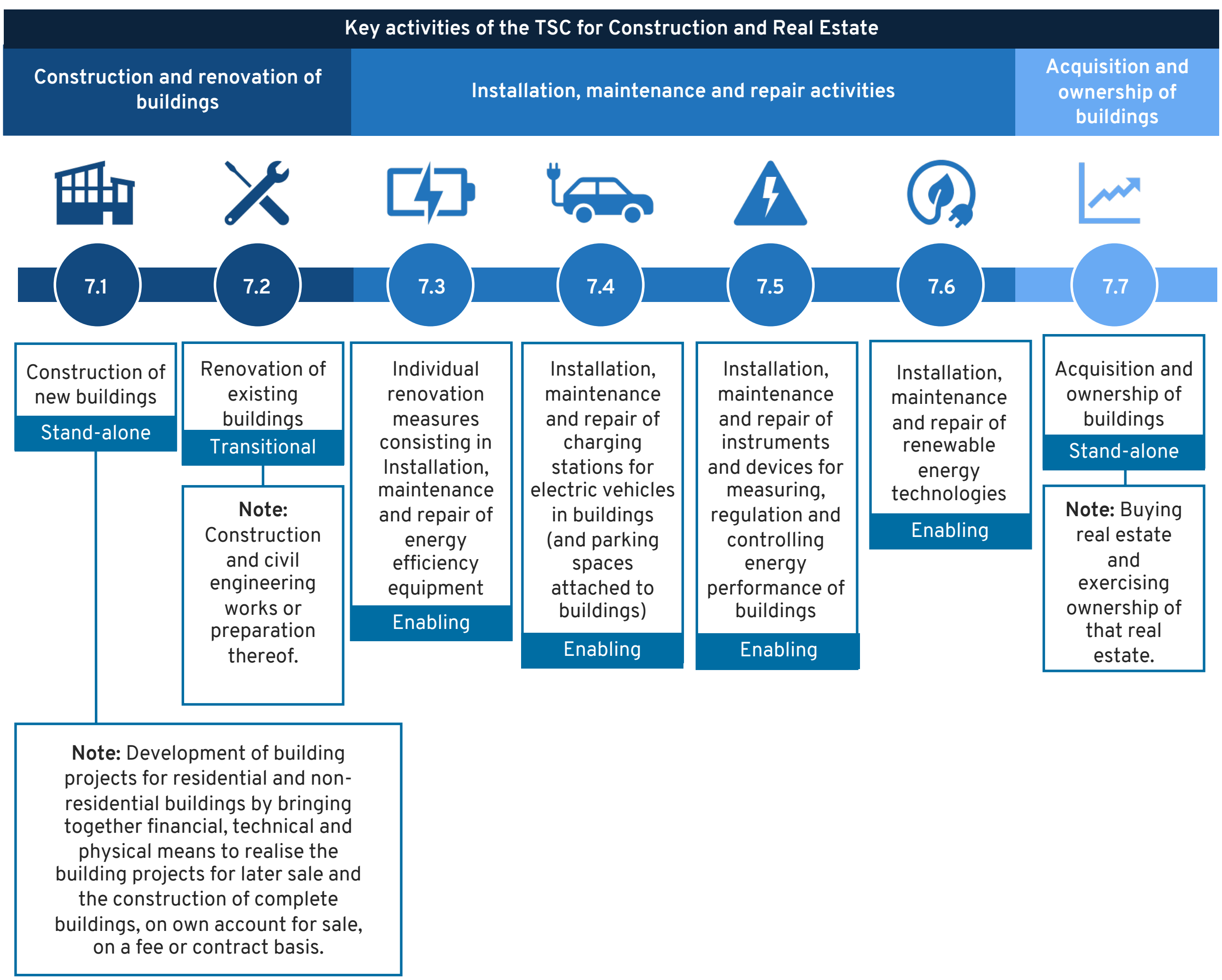

Figure 6 – Construction and Real Estate activities

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As shown in Table 1 below, several NACE codes may be associated and correspond to one eligible economic activity.

In scope of the current report, the analysis of CCM and CCA objectives will be performed only on the activity "7.7 Acquisition and ownership of buildings".

For both objectives, the report will detail the review of the EU Taxonomy-eligibility and EU Taxonomy-alignment for the activity 7.7, detailing the NACE codes associated with the activity, the TSC for substantial contribution, DNSH and the minimum safeguards to comply with.

The NACE codes 7.1 displayed in the table below only refer to the activities performed for the purpose of the sale of the assets only.

Table 1 – Construction and Real Estate activities NACE codes

NACE codes	Companies' eligible NACE Codes							
EU Taxonomy eligible activities	Real estate	Manufacturing		Construction			Professional, scientific and technical activities	Other - Repair of personal and household goods
	L68	C16, C17, C22, C23, C25, C27, C28	C33.12	F41	F42	F43	M71	S95.21, S95.22
7.1 Construction of new buildings				◉		◉		
7.2 Renovation of existing buildings				◉		◉		
7.3 Installation, maintenance and repair of energy efficiency equipment		◉	◉		◉	◉	◉	◉
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)		◉			◉	◉	◉	
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		◉			◉	◉	◉	
7.6 Installation, maintenance and repair of renewable energy technologies		◉			◉	◉	◉	
7.7 Acquisition and ownership of buildings	◉							

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2 Climate Change Mitigation

2.1 Eligibility

As described in prior pages, an economic activity is considered as eligible when it is in the scope of the EU Taxonomy's TSC criteria.

In order to verify the eligibility of its economic activities, a company needs to check against the list of eligible activities as described in the EU Climate Taxonomy's TSC. NACE codes, as referred to in the EU Taxonomy's TSC, could help the companies navigate with this check. It should be noted that one economic activity can be eligible for more than one environmentally-sustainable objectives as defined by the EU Taxonomy and that for one economic activity, several NACE codes may apply. A good example is 7.7 economic activity category where it is not the code which matters but rather the description of the activity in the TSC (which is different to the one actually described in the NACE regulation).

In scope of the current report, the focus is on the activity "7.7 Acquisition and ownership of buildings", which consists of buying real estate and exercising ownership.

This economic activity is associated with NACE code L68 (NACE code for Real Estate activities). Furthermore, it may be eligible both for CCM and CCA objectives.

Such mapping only defines whether the activity is eligible under the EU Taxonomy. In order to verify whether the activity is also aligned it needs to undergo the steps described as per Page 6. In the next sections we will detail the three steps of the alignment which apply to CCM.

2.2 Substantial Contribution

An economic activity is making a "substantial contribution" to an environmentally-sustainable objective, when it complies with specific TSC which consist in a set of conditions that the activity needs to respect.

In the case of CCM, the TSC reflect the need to avoid producing greenhouse gas emissions, to reduce such emissions or to increase greenhouse gas removals and long-term carbon storage. With this purpose, the TSC define specific thresholds or performance levels that the economic activity should achieve in order to qualify as contributing substantially to CCM, as per Figure 6.

The TSC for substantial contribution for the economic activity "7.7 Acquisition and ownership of buildings", largely depend on the type of buildings in scope (residential vs non-residential), the date in which the building was built (different conditions for buildings built before or after 31 December 2020) and on the energy performance. Figure 6 details the steps to assess the conditions to determine whether the activity substantially contributes to CCM.

Please note, the TSC for substantial contribution are not the same for all the eligible activities in the real estate sector.

Two possible definitions of "building built before": either the building permit release or the building completion notice. The TSC doesn't specify this definition and two most common options are possible to consider and both are relevant at the time of the acquisition (which creates more questions: at the moment the contract is signed or the ownership is transferred?

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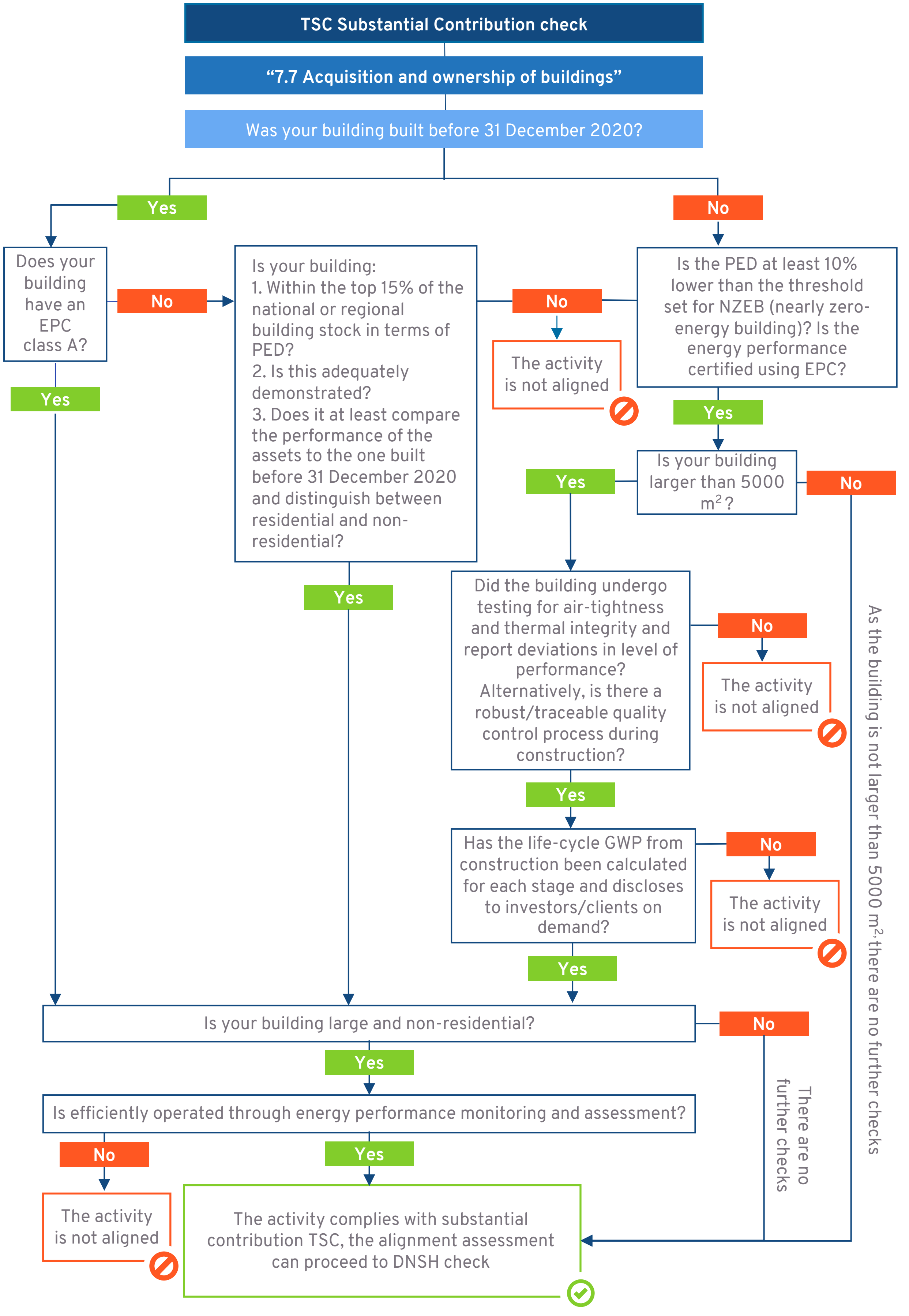

Figure 7 – CCM Substantial Contribution TSC check

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2.3 DNSH

An EU Taxonomy-aligned economic activity needs to substantially contribute to one of the environmentally-sustainable objectives while not significantly harming any of the remaining five objectives. The TSC determines the conditions under which the economic activity causes no significant harm to one or more of those environmental objectives.

In the context of the CCM objective, for the activity "7.7 Acquisition and ownership of buildings" the only DNSH check to be performed is related to CCA. For this check, the economic activity needs to comply with the criteria set out in the Appendix A of the EU Taxonomy Climate Delegated Regulation. It details a non-exhaustive list of the "Climate-related hazards", which represents an indicative list of the most common climate hazards that should be considered as a minimum in the assessment of climate risks and vulnerability for the building. Please also note that adaptation solutions only need to be determined for climate hazards which have been identified as material.

A selection of climate hazards are summarised in Table 2.

Table 2 – EU Taxonomy Climate Delegated Act, Appendix A, "Classification of climate-related hazards"

	Temperature-related	Wind-related	Water-related	Solid mass-related
Chronic	Changing temperature (air, freshwater, marine water)	Changing wind patterns	Changing precipitation patterns and types (rain, hail, snow/ice)	Coastal erosion
	Heat stress		Precipitation or hydrological variability	Soil degradation
	Temperature variability		Ocean acidification	Soil erosion
	Permafrost thawing		Saline intrusion	Solifluction
			Sea level rise	
			Water stress	
Acute	Heat wave	Cyclone, hurricane, typhoon	Drought	Avalanche
	Cold wave/frost	Storm (including blizzards, dust and sandstorms)	Heavy precipitation (rain, hail, snow/ice)	Landslide
	Wildfire	Tornado	Flood (coastal, fluvial, pluvial, ground water)	Subsidence
			Glacial lake outburst	

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In order to ensure that the activity does not significantly harm CCA, it should be verified that adaptation solutions are put in place to tackle the climate risk hazards which have been assessed as “material”. Therefore, the following steps should be followed for the DNSH check:

1. Perform a vulnerability assessment of the building to verify which of the climate hazards listed in the table above are “material”, referring to high probability of occurrence of the climate phenomenon. This shall be done through expert knowledge, urban planning regulatory risk prevention plans and/or exposure assessments.
2. For the climate hazards that are considered “material” analyze the relevant adaptation solutions which have been implemented at building level in order to lower the vulnerability of the building towards the occurrence of that material climate hazards.

The DNSH principle is applicable at the level of the economic activity but the criteria is often linked to the underlying real estate asset behind the economic activity. It should be noticed that DNSH checks are not the same for all the activities under category “7 Construction and real estate activities” and they can also relate to other environmental objectives and not only to Climate Change Adaptation as for the activity 7.7. For Instance, for the activity “7.1. Construction of new buildings” has DNSH checks to be performed that are related to all the other five objectives. It includes elements such as specific water use (e.g., showers to have a maximum water flow of 8 liters/min etc.) or building components and materials, amongst others.

Table 3 displays some examples of adaptation solutions that could be put in place to tackle a selection of climate hazards.

The list of solutions is not exhaustive, other measures may be implemented to tackle the material climate hazards displayed below. Please note that both physical and non-physical adaptation solutions are eligible.

Table 3 – Example of Adaptation Measures

Material climate hazards	Examples of adaptation solutions (both physical and non-physical)
Changing temperature (air, freshwater, marine water) Heat stress Heat wave Temperature variability	Renewal of the air conditioning plants and ventilation ducts Demolishing of the old water-cooling units and replacing them with district cooling system Renewal of the cooling pipes, cooling beams and cooling fan coil units Renovation of the façades Refurbishment of the windows Fire response protocol and site evacuation plan

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2.4 Minimum Safeguards

Finally, in order to align an economic activity with the EU Taxonomy, the activity should be carried out in compliance with minimum safeguards, as indicated by Article 18 of the EU Taxonomy.

The minimum safeguards refer to the requirements, principles and guidelines that are set within:

1. The OECD Guidelines for multinational enterprises.
2. The UN Guiding principles, including the principles and rights defined in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The first guideline includes non-binding principles and standards for business with a responsible conduct, considering a global context consistent with applicable laws and internationally recognised standards.

The second guideline contains a framework for companies to report on with respect to human rights.

The minimum safeguards are standards that apply equally, independent from environmental objective that the economic activities intend to promote. Although the minimum safeguards apply for at the company level, they still need to be assessed for each economic activity.

Currently, the minimum safeguards' requirements are always the same, independently from the economic activities or the environmentally-sustainable objectives that the company intends to pursue.

Please note that, in July 2022, the Platform of Sustainable Finance published a draft report with additional guidelines with regards to the minimum safeguards checks. This report is currently under a call for feedback until September 2022. It is likely that in the future further diligence would be required for the minimum safeguards' checks covering the topics of corruption, taxation and fair competition.

Currently, minimum safeguards are described in the main body of the Taxonomy regulation, they are not part of the TSC of the climate delegated regulation.

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Table 4 below displays some examples of recommendations under the OECD Guidelines for Multinational Enterprise that undertakings need to respect in order to comply with minimum safeguards.

Table 4 – Examples of OECD recommendations for multinational enterprises

OECD guidelines sections	Examples of recommendations
General policies	• Enterprises should respect internationally recognised human rights. • Enterprises should support and uphold good governance principles and apply good corporate governance practices.
Disclosure	• Disclosure policies should include material information on the financial and operating results of the enterprise. • Enterprises should apply high quality standards for accounting, and financial as well as non-financial disclosure.
Human rights	• Enterprises should Respect human rights, which means they should avoid infringing on the human rights of others and should address adverse human rights impacts. • Enterprises should have a policy commitment to human rights.
Employment and Industrial Relations	• Enterprises should respect the right of workers employed by the multinational enterprise to establish or join trade unions and representative organisations of their own choosing. • Enterprises should avoid all forms of forced or compulsory labour.
Environment	• Enterprises should establish and maintain a system of environmental management appropriate to the enterprise. • Enterprises should take into account concerns about cost, business confidentiality, and the protection of intellectual property rights.
Combating Bribery	• Enterprises should not offer, promise or give undue pecuniary or other advantage to public officials or employees of partners. • Enterprises to develop and adopt adequate internal controls, ethics and compliance measures for preventing and detecting bribery.
Consumer Interests	• Enterprises should ensure that goods and services meet all agreed or legally required standards for consumer health and safety. • Enterprises should provide consumers with access to fair, easy to use, timely and effective non-judicial dispute resolution.
Science and Technology	• Enterprises should ensure that their activities are compatible with the S&T policies/plans of the countries in which they operate. • Enterprises should adopt practices to allow the transfer and rapid diffusion of technologies and know-how.
Competition	• Enterprises should carry out their activities in a manner consistent with all applicable competition laws and regulations. • Enterprises should refrain from entering into or carrying out anti-competitive agreements among competitors.
Taxation	• Enterprises should contribute to the public finances of host countries by making timely payment of their tax liabilities. • Enterprises should treat tax governance compliance as important elements of their oversight and risk management systems.

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3 Climate Change Adaptation

3.1 Eligibility

As described in prior pages, an economic activity is considered as EU Taxonomy-eligible when it is in the scope of the EU Taxonomy's TSC criteria.

In order to verify the eligibility of its economic activities, a company needs to check if their economic activities are in the EU-Taxonomy list of eligible activities for each of the objectives. One way to do it would be to start through the NACE codes as supportive descriptions of the different activities, to have a first understanding of the activities in scope. Afterwards, the next step would be to review the description of the eligible activity in the TSC to check if it applies.

In scope of the current report, the focus is on the activity "7.7 Acquisition and ownership of buildings". This economic activity is associated with NACE code L68 (NACE code for Real Estate activities). Out of these real estate activities, only those which consist of buying real estate and exercising ownership are eligible under 7.7, and it may be eligible both for CCM and CCA objectives. Companies buying real estate and exercising ownership are therefore eligible to be aligned under the EU Taxonomy for this activity.

In order to verify whether the activity is also EU Taxonomy-aligned it needs to undergo the steps described as per Page 6. In the next sections of this Chapter we will detail the 3 steps of the EU Taxonomy-alignment process: substantial contribution, DNSH and minimum safeguards which apply to CCA.

3.2 Substantial Contribution

As explained in Chapter 2, an economic activity is making a "substantial contribution" to an environmentally-sustainable objective, when it complies with specific TSC which consist in a set of conditions that the activity needs to respect for being qualified as substantially contributing to that objective.

In the case of CCA, the TSC reflect the fact that climate change is likely to affect all sectors of the economy. As a result, all sectors will need to be adapted to the adverse impact of the current climate and the expected future climate. With this purpose, the TSC require the economic operators to perform climate change risk assessment and to develop solutions that tackle the most material risks that are identified through the assessment. The TSC for this objective also takes into account the context and the location in which the economic activity is carried out and the need to ensure the resilience of critical infrastructure in front of climate and weather-related disasters.

The TSC for substantial contribution for the economic activity "7.7 Acquisition and ownership of buildings" foresee the performance of a climate risk and vulnerability assessment to identify the key climate risks affecting the building and the verification of adequate physical and non-physical solutions implementation to tackle the identified material risks. Figure 8 displays in detail the steps and conditions to be covered to check the alignment with substantial contribution TSC for CCA. The climate hazards to be assessed during the materiality assessment, for the purpose of the substantial contribution check, are displayed on pages 16 and 17 of this report. Please note that only those risks identified as material need to be assessed in the vulnerability assessment.

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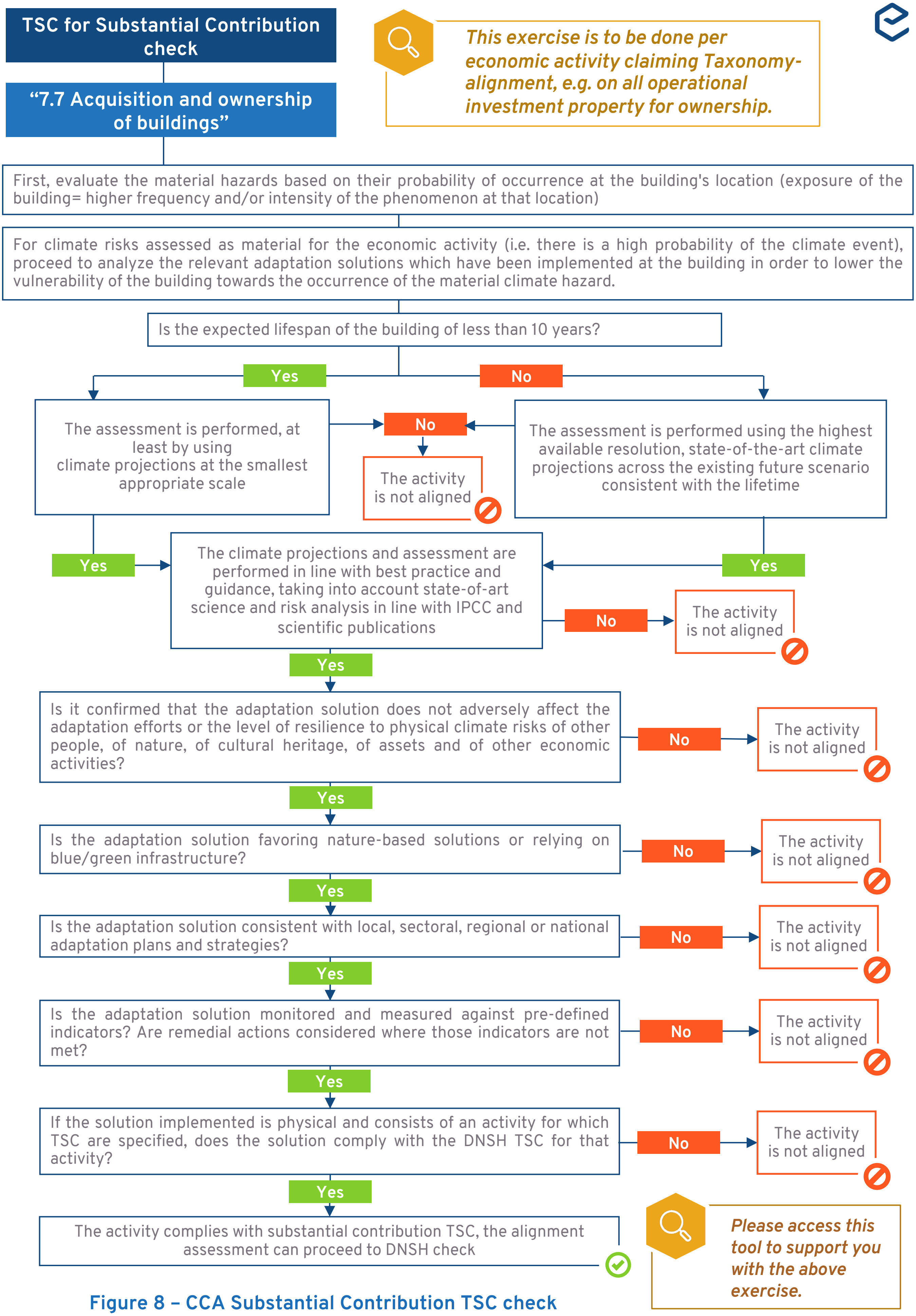

Figure 8 – CCA Substantial Contribution TSC check

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A few examples of adaptation measures against material climate hazards are presented below in Tables 5, 6, and 7.
The examples below do not represent an exhaustive list of adaptation solutions for the material climate hazards and economic operators might put in place several other adaptive measures.

Table 5 – Example 1 of adaptation measures

Material climate hazards	Examples of adaptation solutions
Sea level rise	Maintenance manual and health and safety plan of the building
	Flooding event response protocol and site evacuation plan in place

Table 6 – Example 2 of adaptation measures

Material climate hazards	Examples of adaptation solutions
Changing precipitation patterns and types (rain, hail, snow/ice)	Renewal of air conditioning plants and ventilation ducts
	Installation of wind and snow traps in the air intakes of the buildings
	Renovation of façades
	Refurbishment of the façades
Precipitation hydrological variability	Renewing and repairing of roofs and roof terraces
	Local repairing and renewing of the underdrain system, ground floor slabs and waterproofing of basement walls

Table 7 – Example 3 of adaptation measures

Material climate hazards	Examples of adaptation solutions
Drought	Renewal of the domestic water and sewage pipes (some of the sewers have been relined instead of renewed)
	Installation of new efficient water fixtures & appliances

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3.3 DNSH

For the purpose of reviewing the alignment of the activity “7.7 Acquisition and ownership of buildings” with the TSC, the DNSH checks are required for one other objective: CCM. In this context, the below checks need to be followed:

1. The asset is not dedicated to extraction, storage, transport, manufacture of fossil fuel.
2. For buildings built before 31 December 2020, the building has at least an EPC class C. As an alternative, the building is within the top 30% of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence. Such evidence concludes on the asset's performance against the performance of the national or regional stock built before 31 December 2020 and distinguishes between residential and non-residential buildings.

In Chapter 5 we have gathered information on some interpretations of the top building stock.

3. For buildings built after 31 December 2020, the PED defining the energy performance of the building resulting from the construction does not exceed the threshold set for the NZEB requirements in national regulation implementing Directive 2010/31/EU. The energy performance is certified using an EPC certificate.

To be noted that there is limited standardisation of EPCs and NZEBs in Europe. For example, for PED in France, the French law should be applied as reference for the conversion between primary energy and final energy.

3.4 Minimum Safeguards

For the purpose of completeness of the CCA analysis, we have detailed the Minimum Safeguards under this section, which mirrors exactly the text from the previous Chapter 2.

Finally, in order to align an economic activity with the EU Taxonomy, the activity should be carried out in compliance with minimum safeguards, as indicated by the Article 18 of the EU Taxonomy.

The minimum safeguards refer to the requirements, principles and guidelines that are set within:

1. The OECD Guidelines for multinational enterprises.
2. The UN Guiding principles, including the principles and rights defined in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The first guideline includes non-binding principles and standards for business with a responsible conduct, considering a global context consistent with applicable laws and internationally recognised standards.

The second guideline contains a framework for companies to report on with respect to human rights.

The minimum safeguards are standards and they equally apply independently from the economic activities and the environmentally-sustainable objectives the activity intends to pursue.

Currently, the minimum safeguards' requirements are always the same, independently from the economic activities or the environmentally-sustainable objectives that the company intends to pursue.

Please note that, in July 2022, the Platform of Sustainable Finance published a draft report with additional guidelines with regards to the minimum safeguards checks. This report is currently under a call for feedback until September 2022. It is likely that in the future further diligence would be required for the minimum safeguards' checks covering the topics of corruption, taxation and fair competition.

Currently, minimum safeguards are described in the main body of the Taxonomy regulation, they are not part of the TSC of the climate delegated regulation.

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Table 8 below displays some examples of recommendations under the OECD Guidelines for Multinational Enterprise that undertakings need to respect in order to comply with minimum safeguards.

Table 8 – Examples of OECD recommendations for multinational enterprises

OECD guidelines sections	Examples of recommendations
General policies	• Enterprises should respect internationally recognised human rights. • Enterprises should support and uphold good governance principles and apply good corporate governance practices.
Disclosure	• Disclosure policies should include material information on the financial and operating results of the enterprise. • Enterprises should apply high quality standards for accounting, and financial as well as non-financial disclosure.
Human rights	• Enterprises should respect human rights, which means they should avoid infringing on the human rights of others and should address adverse human rights impacts. • Enterprises should have a policy commitment to human rights.
Employment and Industrial Relations	• Enterprises should respect the right of workers employed by the multinational enterprise to establish or join trade unions and representative organisations of their own choosing. • Enterprises should avoid all forms of forced or compulsory labour.
Environment	• Enterprises should establish and maintain a system of environmental management appropriate to the enterprise. • Enterprises should take into account concerns about cost, business confidentiality, and the protection of intellectual property rights.
Combating Bribery	• Enterprises should not offer, promise or give undue pecuniary or other advantages to public officials or employees of partners. • Enterprises to develop and adopt adequate internal controls, ethics and compliance measures for preventing and detecting bribery.
Consumer Interests	• Enterprises should ensure that goods and services meet all agreed or legally required standards for consumer health and safety. • Enterprises should provide consumers with access to fair, easy to use, timely and effective non-judicial dispute resolution.
Science and Technology	• Enterprises should ensure that their activities are compatible with the S&T policies/plans of the countries in which they operate. • Enterprises should adopt practices to allow the transfer and rapid diffusion of technologies and know-how.
Competition	• Enterprises should carry out their activities in a manner consistent with all applicable competition laws and regulations. • Enterprises should refrain from entering into or carrying out anti-competitive agreements among competitors.
Taxation	• Enterprises should contribute to the public finances of host countries by making timely payment of their tax liabilities. • Enterprises should treat tax governance compliance as important elements of their oversight and risk management systems.

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4 Reporting on Taxonomy

4.1 The context of Taxonomy reporting for companies

The aim of Article 8 disclosures of the Delegated Act is to increase the space for green finance through transparency about companies' environmental performance.
The Taxonomy framework addresses, as of 1 January 2022, disclosures for large public-interest companies with more than 500 employees.

> **As of today, public-interest companies with more than 500 employees** will need to disclose:
>
> •Taxonomy-*eligibility* from **1 January 2022**; and
>
> •Taxonomy-*alignment* from **1 January 2023**

Furthermore, as of 1 January 2025, the scope is extended to companies that meet at least 2 out of the 3 criteria: having more than 250 employees, their turnover being €40 million or their balance sheet exceeding €20 million. Additionally, SMEs matching certain criteria will be included in the scope as of 1 January 2026 (please refer to CSRD for further details).

The reporting requirements related to the EU Taxonomy as set in the Article 8 Delegated Act, will affect both financial and non-financial undertakings. With a focus on the real estate sector, real estate companies being non-financial undertakings, will be required to communicate the degree of environmental performance of their economic activities and assets to their stakeholders and financial institutions.

The key insights on Taxonomy alignment reporting for companies are summarised in Figure 9.

Figure 9 – Taxonomy reporting under Article 8 delegated act

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4.2 How shall I report the EU Taxonomy eligibility and alignment?

The Delegated Act to the Article 8 of the EU Taxonomy specifies the content and presentation of information to be disclosed by undertakings subject to the conditions outlined on page 8 and 21 concerning environmentally sustainable economic activities.

Both financial undertakings (e.g., credit institutions, asset managers, insurers etc.) and non-financial undertakings (e.g., manufacturing, transportation, construction and real estate etc.) will need to disclose the proportion of environmentally sustainable economic activities that align with the EU Taxonomy criteria.

Listed property companies and REITs are non-financial undertakings and therefore we will focus on non-financial undertaking reporting for the rest of the section.

Overall, these companies need to address the following questions;

1. Are my activities eligible under the EU Taxonomy? Companies need to identify whether activities are part of the scope of the TSC. To do so, they will need to read the activities description in the TSC to assess whether the NACE code related to the activity is included within such description. Please note, activities eligible for CCM may not be eligible for CCA and vice versa.

2. Are my eligible activities aligned with the EU Taxonomy? As described in Section 1 of this document, for each eligible economic activity (and per objective), companies need to check substantial contribution, DNSH and minimum safeguards.

3. For those aligned, what is the proportion of my business that corresponds to these activities? Once we know what activities are Taxonomy aligned, the percentage of alignment needs to be disclosed based on the proportion of Turnover, CapEx and OpEx that the activity represents. Companies are required to complete a set of templates, reporting on their eligibility and alignment. Figure 10 shows part of a template to be used to report on this information.

x3 3 Tables to be reported: Taxonomy eligibility and alignment against Turnover, CapEx and OpEx

Activities breakdown and total CapEx that they represent

% of the CapEx that is eligible (in scope of the EU Taxonomy Technical Screening Criteria)

Technical screening criteria checks for each objective

Minimum safeguards checks

Final % of alignment and % of transitional and enabling activities

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	**Code(s) (2)**	**Absolute turnover (3)**	**Proportion of turnover (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of turnover, year N (18)**	**Taxonomy-aligned proportion of turnover, year N-1 (19)**	**Category (enabling activity or) (20)**	**Category '(transitional activity)' (21)**
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Activity 1 (1)				%	%	%	%	%	%		Y	Y	Y	Y	Y	Y	%		E	
Activity 2			%	%	%	%	%	%	%	Y	Y		Y	Y	Y	Y	%			

Non-financial undertakings scope of reporting for 2022 (eligibility only)

Non-financial undertakings scope of reporting for 2023 (eligibility and alignment)

Figure 10 – Proportion of turnover from the products or services associated with Taxonomy-aligned economic activities – disclosure covering year N for non-financial undertakings

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4.3 How do I calculate the percentages?

Non-financial companies will need to disclose the proportion of environmentally sustainable economic activities that align with the EU Taxonomy criteria. The main KPIs for the aligned assets are the following:

The Turnover KPI represents the proportion of the net turnover derived from products or services that are EU Taxonomy-aligned. The Turnover KPI gives a static view of the companies' contribution to environmental goals.

The CapEx KPI represents the proportion of the capital expenditure of an activity that is either already EU Taxonomy-aligned. CapEx provides a dynamic and forward-looking view of companies' plans to transform their business activities.

The OpEx KPI represents the proportion of the operating expenditure associated with EU Taxonomy-aligned activities. The operating expenditure covers direct non-capitalised costs relating to research & development, renovation measures, short-term lease, maintenance and other direct expenditures relating to the day-to-day servicing of property assets, plant & equipment that are necessary to ensure the continued and effective use of such assets.

For non aligned assets, if there are CapEx or OpEx plans, the annual part of those plans can be included in the percentage of aligned CapEx or OpEx KPIs. For these plans, the following conditions have to be met :

- it shall aim to extend the scope of EU Taxonomy-aligned economic activities or it shall aim for economic activities to become EU Taxonomy-aligned within a period of maximum 5 years;
- it shall be approved by the management board of non-financial undertakings or another body to which this task has been delegated.

4.3.1 Turnover alignment percentage

Additional information on Turnover KPI may be found in Annex I

The KPI to obtain the percentage of turnover aligned with the EU Taxonomy is shown in Figure 10.

Figure 11– KPI Turnover[1]

$$\text{KPI Turnover (\%)} = \frac{\text{Net turnover aligned with the EU Taxonomy}}{\text{Total net turnover}}$$

Net turnover aligned with the EU Taxonomy

Net turnover derived from products or services associated with Taxonomy-aligned economic activities.

Total net turnover

Total net turnover (or absolute turnover) of both EU Taxonomy-aligned, not-aligned activities and not eligible activities.

The total net turnover (or absolute turnover) shall cover the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No 1126/2008. Although IFRS15 and IFRS16 are also commonly used for "turnover", these are not explicitly mentioned by the regulation and therefore are not added here.

[1]Please note that the formula is included in the EU Taxonomy article 8 Delegated Act annex I, section 1.1.1, and available here: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178&from=EN

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4.3.2 CapEx alignment percentage

Additional information on CapEx KPIs may be found in Annex II

The calculation of the percentage of capital expenditure that is aligned with the EU Taxonomy shall be performed as indicated in Figure 12.

- *Leases that do not lead to the recognition of a right-of-use over the asset shall not be counted as CapEx.*
- *As there is regulatory uncertainty around the planned CapEx over multiple years, only the planned CapEx of the reporting year shall be added in the formula to avoid double counting in future years.*

CapEx associated with EU Taxonomy-aligned activities

+

CapEx plan to expand EU Taxonomy-alignment

+

CapEx related to the purchase of output from Taxonomy-aligned economic activities

---

Total CapEx

=

KPI CapEx (%)

Figure 12 – KPI CapEx[1]

CapEx associated with EU Taxonomy-aligned activities

Capital expenditure related to assets or processes that are associated with EU Taxonomy-aligned economic activities.

CapEx plan to expand EU Taxonomy-alignment

Capital expenditure that is part of a plan to expand EU Taxonomy-aligned economic activities or to allow EU Taxonomy-eligible economic activities to become EU Taxonomy-aligned ('CapEx plan').

CapEx related to the purchase of output from Taxonomy-aligned economic activities

Capital expenditure related to the purchase of output (acquired output) from EU Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions.

Total CapEx

Additions of tangible and intangible assets during the financial year (considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes). This shall include planned CapEx over the reported period to avoid double-counting as per the inclusion of planned CapEx in the numerator.

For non-financial undertakings applying IFRS as adopted by Regulation (EC) No 1126/2008, CapEx shall cover costs that are accounted based on the relevant IAS and IFRS standards. For example, capitalised interests should be taken in the computation, based on IAS23 paragraph 1 and 8, as well as IAS40 paragraph 76(a).

For non-financial undertakings applying GAAP, CapEx shall cover the costs accounted under the applicable GAAP that correspond to the costs included in the capital expenditure by non financial undertakings applying IFRS. Regarding the CapEx plan, details are shown in Figure 13.

(a) The plan aims at either to expand the undertaking's EU Taxonomy-aligned economic activities or to upgrade EU Taxonomy eligible.
(b) Economic activities to render them EU Taxonomy aligned within a period of five years.

The plan shall be disclosed at economic activity aggregated level and be approved by the management body of non-financial undertakings either directly or by Delegation.

Figure 13 - CapEx plan

[1]Please note that the formula is included in the EU Taxonomy article 8 Delegated Act annex I, section 1.1.2, and available here: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178&from=EN

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4.3.3 OpEx alignment percentage

The calculation of the percentage of operational expenditure that is aligned with the EU Taxonomy shall be performed as described in Figure 14.

Additional information on OpEx KPIs may be found in Annex III

Research and development costs already accounted for in the CapEx KPI shall not be counted as OpEx. e.g. development costs for intangible assets, IAS 38.

KPI OpEx (%) = (OpEx associated with EU Taxonomy-aligned activities + OpEx plan to expand EU Taxonomy-alignment + OpEx related to the purchase of output from EU Taxonomy-aligned economic activities) / Total OpEx

OpEx associated with EU Taxonomy-aligned activities

Operational expenditure related to assets or processes associated with EU Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs of research and development.

OpEx plan to expand EU Taxonomy-alignment

Operational expenditure that is part of the CapEx plan to expand EU Taxonomy-aligned economic activities or allow EU Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe.

OpEx related to the purchase of output from Taxonomy-aligned economic activities

Operational expenditure related to the purchase of output (acquired output) from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or lead to greenhouse gas reductions as well as individual building renovation measures.

Total OpEx

Direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property assets, plant & equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. This shall include planned CapEx over the reported period to avoid double-counting as per the inclusion of planned CapEx in the numerator.

Figure 14– KPI OpEx[1]

Where the operational expenditure is not material for the business model of non-financial undertakings, those undertakings shall fulfill the following criteria: (a) be exempted from the calculation of the numerator of the OpEx KPI in accordance with point 1.1.3.2 of the regulation and disclose that numerator as being equal to zero; (b) disclose the total value of the OpEx denominator calculated in accordance with point 1.1.3.1 of the regulation; and (c) explain the absence of materiality of operational expenditure in their business model.

[1]Please note that the formula is included in the EU Taxonomy article 8 Delegated Act annex I, section 1.1.3, and available here: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178&from=EN

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4.4 EU-Taxonomy Reporting Example

The following section aims at presenting a proposed example of how a company should proceed to:

1. Define if its economic activities are EU-Taxonomy eligible
2. Define if its economic activities are EU-Taxonomy aligned
3. Report on the three KPIs (Turnover, CapEx and OpEx)

We will use as an example a company that is buying real estate and exercising ownership of that real estate.

We will firstly provide a view of the steps to define the eligibility of the assets under the EU Taxonomy and we will perform the steps to define if they are compliant with the TSC for "substantial contribution" and "do no significant harm" both for CCA and CCM, including minimum safeguards.
Finally, we will provide an example of reporting, filling the templates related to the activity eligibility and alignment.

Use case: RE Company

Economic activities of the Company

- The RE Company buys real estate and exercises ownership of that real estate. 97% of the revenue is coming from this activity.
- Additionally, the company performs landscape service activities as well, including planting, care & maintenance of parks and gardens. 3% of the turnover is coming from this activity.
- The first activity is linked to NACE code L68 and the second to N81.3.

EU Taxonomy Eligibility
The first phase is about specifying the nature of business and checking those parts which would be eligible under the Taxonomy requirements.

1 **Are my economic activities eligible?**

To understand if my economic activities are eligible, I need to check if they appear in the technical screening criteria.

7.7. Acquisition and ownership of buildings

Description of the activity

Buying real estate and exercising ownership of that real estate.

The economic activities in this category could be associated with NACE code L68 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Buying real estate and exercising ownership of that real estate (L68)

I can find the eligible activity "7.7 Acquisition and ownership of buildings", and the description is consistent with my economic activity → **This economic activity is eligible to make a substantial contribution to climate change.**

Planting, care and maintenance of parks and gardens (N81.3)

I cannot find this activity in the technical screening criteria nor any similar description to match it → **This economic activity is not in the scope to make a substantial contribution to climate change, and therefore, it is not eligible.**

Note: NACE codes can be used as a reference, but it is necessary to check the description of the activity.

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4.4 EU-Taxonomy Reporting example

2 How do I report on my eligible activities?

The proportion of Turnover, CapEx and OpEx that is linked to the eligible activities will determine my percentage of eligibility as a company. In this particular case, I will need to identify the proportion of Turnover, CapEx and OpEx which is linked to my eligible activity, i.e. buying real estate and exercising ownership of that real estate (L68).

$$\text{KPI eligibility (\% Turnover)} = \frac{\text{Turnover linked to eligible activities}}{\text{Total Turnover}}$$

$$\text{KPI eligibility (\% CapEx)} = \frac{\text{CapEx linked to eligible activities}}{\text{Total CapEx}}$$

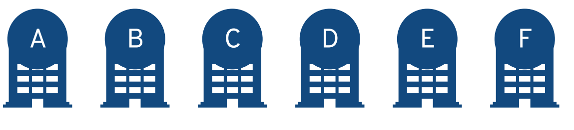
$$\text{KPI eligibility (\% OpEx)} = \frac{\text{OpEx linked to eligible activities}}{\text{Total OpEx}}$$

3 Are my economic activities aligned?

For this step we will focus on the eligible activity only. The activity which is not eligible is already out of scope, not eligible = not aligned.

Buying real estate and exercising ownership of that real estate (L68)

For this example, the company is exercising ownership of 6 buildings:



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Process overview:

For alignment, we will first check the following for each building:

Does the building meet the criteria for substantial contribution to CCM?

Yes

If it meets the criteria for substantial contribution to CCM, we will check that DNSH requirements + minimum safeguards are met. If they are all met ***the economic activity linked to the buildings is aligned with the CCM objective.***

No

If it does not meet the criteria for substantial contribution to CCM, we will check CCA.

Does it meet the criteria for substantial contribution to CCA?

Yes

If it meets the criteria for substantial contribution to CCA, we will check that DNSH requirements + minimum safeguards are met. If they are all met, ***the economic activity linked to the buildings is aligned with the CCA objective.***

No

If the building does not meet the criteria for substantial contribution neither to CCM nor to CCA, ***the economic activity linked to the building is eligible but not Taxonomy-aligned.***

Note: *Regardless the environmental objective, we need to check compliance with minimum social safeguards. If there is no compliance with minimum safeguards, none of the economic activities linked to the buildings are Taxonomy-aligned.*

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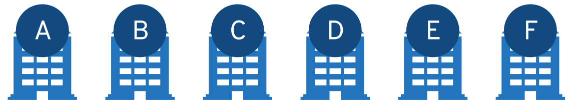
4.4 EU-Taxonomy Reporting example (cont.)

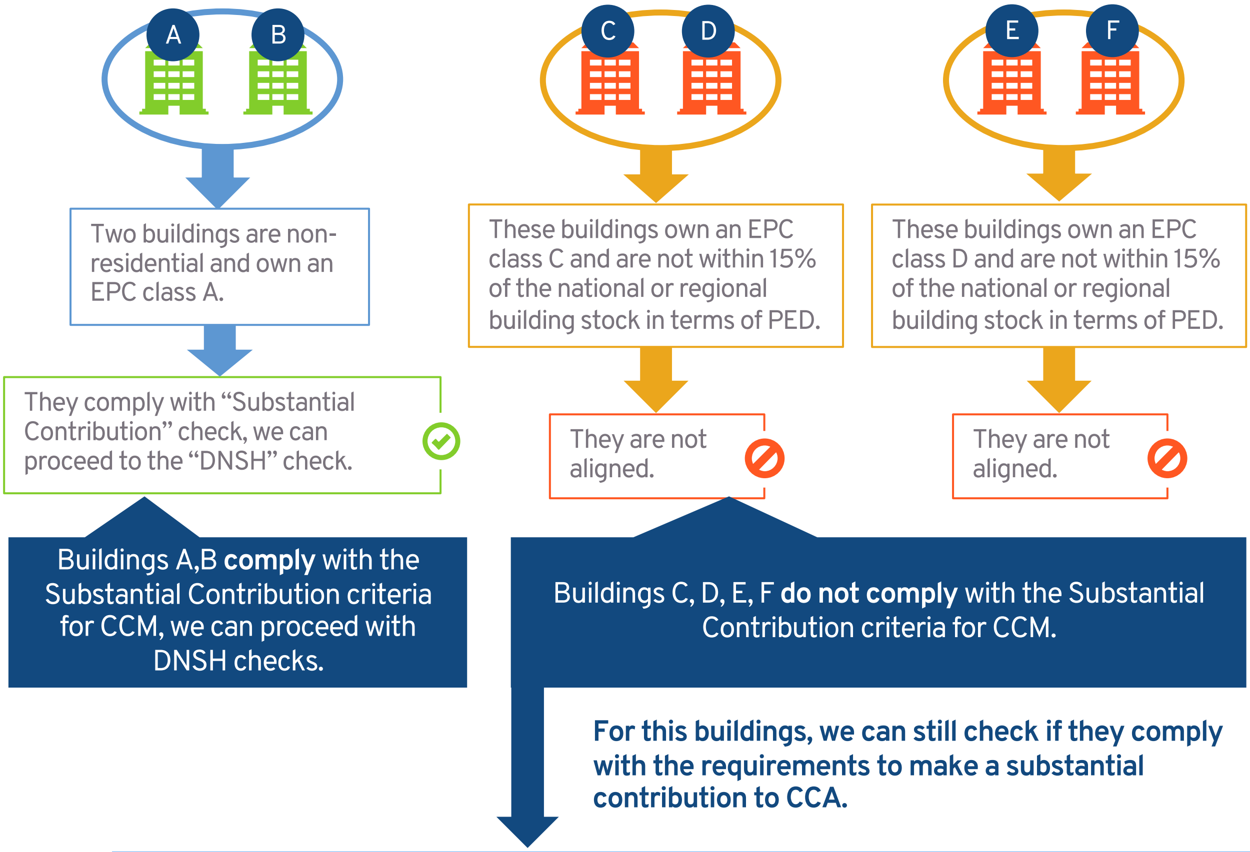
4 Do the buildings meet the criteria for substantial contribution to CCM?

The company verifies whether the buildings substantially contribute to CCM and CCA through the assessment of the TSC. We start with CCM, and for those assets not meeting the CCM criteria, we can check CCA.



Substantial Contribution check for Climate Change Mitigation

The company first checks when the buildings were built. All six buildings were built before 31 December 2020, therefore, it consequently verifies the EPC class of the six buildings.



5 Do the buildings meet the criteria for substantial contribution to CCA?

Substantial Contribution check for Climate Change Adaptation

Consequently, the company checks whether the buildings substantially contribute to the CCA goal, as they are not able to meet the criteria for CCM (which is more restrictive).
In order to verify the compliance with TSC, the company performs a vulnerability assessment of the buildings against the climate hazards as shown on Page 13 of this document and discovers that the most "material" hazard is linked to the rise of sea level, therefore, it analyses whether adaptation measures were put in place at buildings level.

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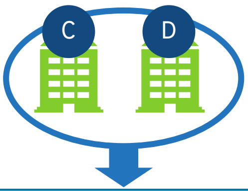
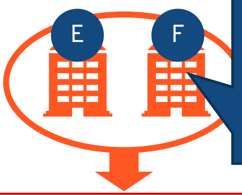
4.4 EU-Taxonomy Reporting example (cont.)

Substantial Contribution check for Climate Change Adaptation



The two buildings put in place adequate adaptation solutions, and complies with all the TSC for substantial contribution.

They comply with "Substantial Contribution" check for CCA, we can proceed to the "DNSH" check.



Building F has a CapEx plan to put in place the necessary adaptation solutions, but it is not in place yet.

The buildings does not have any adaptation solutions in place to tackle the material climate hazards.

They are not aligned.

It is possible for buildings to qualify to under CCM and CCA objectives. However, they will only be counted once in for the financial KPIs.

6 Do the buildings meet the criteria for DNSH?

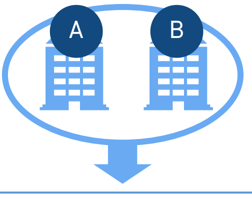
As a third step, the company verifies for the assets that complied with the "Substantial Contribution" TSC check for Climate Change Mitigation and Adaptation if they comply with the respective "DNSH" checks.

- For assets making a substantial contribution to CCM, the DNSH is performed for CCA.
- For assets making a substantial contribution to CCA, the DNSH is performed for CCM.

DNSH check for alignment with CCM (Substantial contribution to CCM)

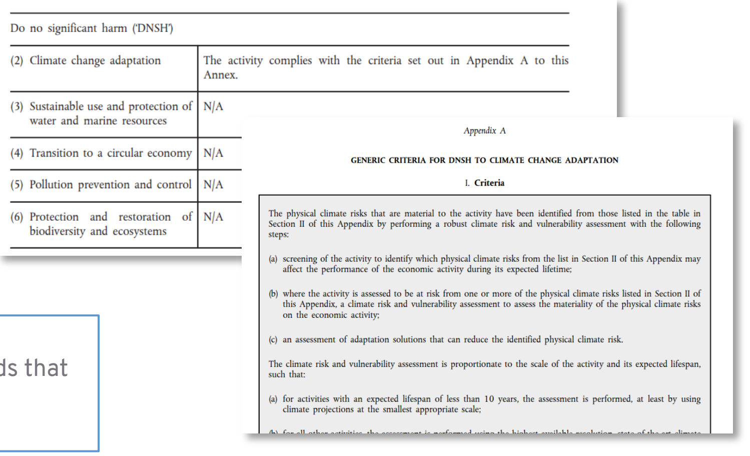
(Substantial contribution to CCM)

DNSH check is linked to CCA



The two buildings have put in place adequate adaptation solutions to tackle the climate hazards that resulted to be "material" from the vulnerability assessment performed by the company.

They comply with "DNSH" check, they can proceed to the Minimum safeguards check.



Do no significant harm ('DNSH')	
(2) Climate change adaptation	The activity complies with the criteria set out in Appendix A to this Annex.
(3) Sustainable use and protection of water and marine resources	N/A
(4) Transition to a circular economy	N/A
(5) Pollution prevention and control	N/A
(6) Protection and restoration of biodiversity and ecosystems	N/A

Appendix A

GENERIC CRITERIA FOR DNSH TO CLIMATE CHANGE ADAPTATION

I. **Criteria**

The physical climate risks that are material to the activity have been identified from those listed in the table in Section II of this Appendix by performing a robust climate risk and vulnerability assessment with the following steps:

(a) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime;

(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II of this Appendix, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;

(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.

The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:

(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;

For the 7.7 activity, the only DNSH defined when you make a substantial contribution to CCM, is linked to CCA. There are no additional DNSH linked to the other environmental objectives.

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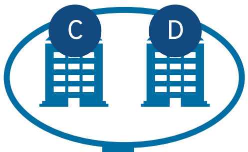
4.4 EU-Taxonomy Reporting example (cont.)

DNSH check for alignment with CCA (Substantial contribution to CCA)

(Substantial contribution to CCA)

DNSH check is linked to CCM



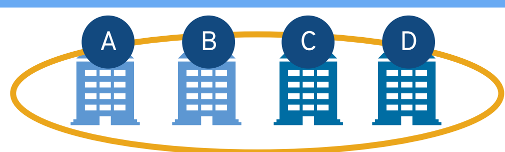
The two buildings are not dedicated to extraction, storage, transport or manufacture of fossil fuels and they have an EPC class C.

The assets comply with "DNSH" check, they can proceed to the Minimum safeguards check.

Do no significant harm ('DNSH')	
(1) Climate change mitigation	The building is not dedicated to extraction, storage, transport or manufacture of fossil fuels. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class C. As an alternative, the building is within the top 30 % of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings. For buildings built after 31 December 2020, the Primary Energy Demand (PED) ([617]) defining the energy performance of the building resulting from the construction does not exceed the threshold set for the nearly zero-energy building (NZEB) requirements in national regulation implementing Directive 2010/31/EU. The energy performance is certified using an as built Energy Performance Certificate (EPC).

7

Is my economic activity (7.7. acquisition and ownership of buildings) complying with minimum safeguards?



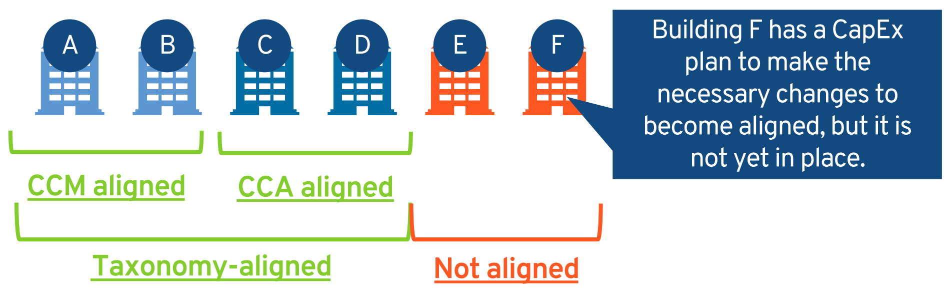
For the activity of acquisition and ownership of these assets, the company is aligned with the minimum safeguards as defined on Pages 14 and 19 of this report.

The economic activity 7.7 linked to these assets is EU Taxonomy-Aligned as the company respects business ethics, human rights and required guidelines.

Minimum safeguards needs to be checked per economic activity but apply at entity level i.e. this exercise is easily scalable under the same company.

8

What is my final taxonomy-alignment?



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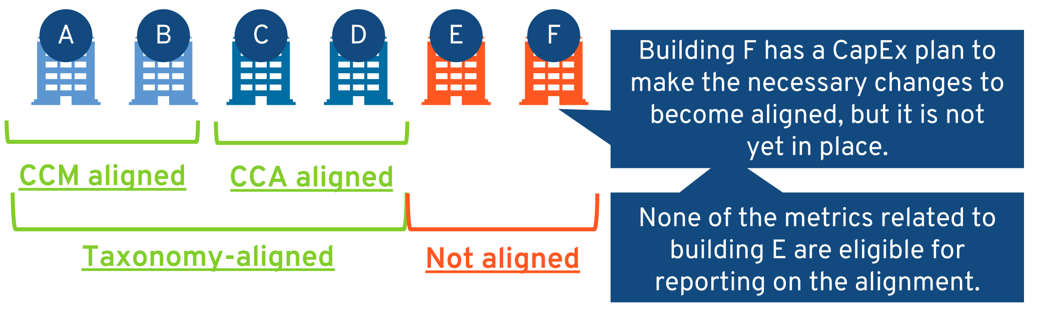
4.4 EU-Taxonomy Reporting example (cont.)

9 **Once I know my alignment… how can I report?**



For this example, the company is exercising ownership of 6 buildings, with the following associated Turnover, CapEx, and OpEx. Please kindly note the metrics below are just indicative and for the purpose of this exercise only.

Building	Turnover (M€)	CapEx (M€)	OpEx (M€)
A	10	20	1
B	20	20	2
C	30	10	3
D	40	10	4
E	50	20	5
F	60	20 million CapEx plan	10

Turnover KPI calculation

$$\text{KPI Turnover (\%)} = \frac{\text{Net turnover aligned with the EU Taxonomy}}{\text{Total net turnover}}$$

Turnover of buildings A, B, C and D

Example of calculation for this use case:

$$\text{KPI Turnover (\%)} = \frac{10 + 20 + 30 + 40}{10 + 20 + 30 + 40 + 50 + 60} = 47.6\%$$

For a CapEx or OpEx plan that can be counted as Taxonomy-aligned, there is still regulatory uncertainty around the disclosure and accounting principles that shall be applied when the plan covers multiple years. Nonetheless, a common market practice can be observed which is only counting the realised CapEx or OpEx while a narrative explanatory note is added to disclose the additional planned CapEx or OpEx for the coming years. This is also done in the objective of reconciling with accounting systems and avoid any discrepancies. At the same time shareholders and future investors will be aware of the full CapEx plan for the coming years.

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4.4 EU-Taxonomy Reporting example (cont.)

10 Once I know my alignment… how can I report?

CapEx KPI calculation

$$\text{KPI CapEx (\%)} = \frac{\text{CapEx associated with Taxonomy-aligned activities} + \text{CapEx plan to expand Taxonomy-alignment} + \text{CapEx related to the purchase of output from Taxonomy-aligned economic activities}}{\text{Total CapEx}}$$

CapEx associated with Taxonomy-aligned activities: CapEx of buildings A, B, C and D

Example of calculation for this use case:

$$\text{KPI CapEx (\%)} = \frac{20 + 20 + 10 + 10 + 0 + 0}{100} = 60.0\%$$

OpEx KPI calculation

$$\text{KPI OpEx (\%)} = \frac{\text{OpEx associated with EU Taxonomy-aligned activities} + \text{OpEx plan to expand EU Taxonomy-alignment} + \text{OpEx related to the purchase of output from EU Taxonomy-aligned economic activities}}{\text{Total OpEx}}$$

OpEx associated with EU Taxonomy-aligned activities: OpEx of buildings A, B, C and D

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4.4 EU-Taxonomy Reporting example (cont.)

11 Once I know my alignment… how can I report?

Example of calculation for this use case:

$$\text{KPI OpEx (\%)} = \frac{(1 + 2 + 3 + 4) + 0 + 0}{1 + 2 + 3 + 4 + 5 + 10} = 40.0\%$$

12 In what format do I disclose these KPIs?

The disclosure of the KPIs for the purpose of reporting needs to follow the specific templates set out in the Taxonomy Art.8 delegated acts.

Example of Turnover KPI calculation:

Table 9 – Disclosure covering year N for non-financial undertakings

				Substantial contribution						Do no significant harm										
Economic activity	Codes	Absolute turnover	Proportion of turnover	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystem	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution	Biodiversity and Ecosystem	Minimum Safeguards	Taxonomy Aligned proportion of turnover year N	Taxonomy Aligned proportion of turnover year N-1	Category enabling activity	Category Transitional activity
A. Taxonomy Eligible activities: 97%																				
A.1 Environmentally sustainable activities (Taxonomy Aligned)																				
Activity 1 – Acquisition and ownership of buildings	L68	216	100%	14.3%	33.3%	0%	0%	0%	0%	Y	Y	N	N	N	N	Y	47.6%	0%	0%	0%

x3 3 Tables in total to be reported for each of the KPIs: Turnover, CapEx and OpEx

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5 Key Challenges and Market Examples

5.1 Classification under Taxonomy activities

Considering the regulatory timeline as presented on Page 11 of this report, the market actors should embrace key implementation steps, in order to keep up with the upcoming reporting requirements.

Figure 15 displays the key areas on which market participants need to focus for the EU Taxonomy implementation and prepare to comply with related reporting obligations.

FY 2021	FY 2022
• Discovery and analysis of the subject • Use cases questions ➢ consistency in the financial communication, ➢ impacts on financing/ investments conditions, subsidies, ➢ impacts on sourcing and development of products and services • Joined-up project team test	• Taxonomy-Alignment • Governance & Organisation for project and Run • Process optimisation and level of internal control • Role of the Audit Committee on NFPS (Statement of non-financial performance) 2.0 projection • Social Taxonomy

Figure 15 - EU Taxonomy implementation timeline

After the need for an analysis of impact of the EU Taxonomy for organisations, to have been performed in 2021, during FY 2022, the market actors need not only to proceed with the Taxonomy-alignment of their activities, according to the conditions detailed in Chapters 2 and 3, but also to prepare their organisations and internal procedures to meet reporting requirements.
Furthermore, companies should focus on the role of the audit especially for the coming obligations. In addition to actions to be taken in the context of the EU Taxonomy, companies should also start to consider the application of the upcoming Social Taxonomy, to their activities in order to anticipate potential upcoming reporting requirements.
So far, a Social Taxonomy regulation does not exist, however, the platform of sustainable finance published a final report with insights on the potential future Social Taxonomy. This report was published in February 2022.

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The implementation of the EU Taxonomy comes with several challenges for companies, some of them are mainly related to:

1. Reviewing the EU-Taxonomy eligibility framework and developing an efficient framework for the alignment of the economic activities;
2. Updating the reporting process in order to include current EU-Taxonomy reporting requirements and also future regulatory obligations (e.g. CSRD reporting requirements);
3. Ensuring transparent and effective communication following disclosure regulatory requirements;
4. Anticipating the evolution of upcoming Taxonomies (e.g. Social Taxonomy).

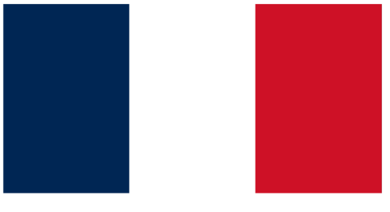
Overall, the main objectives on which companies need to focus in order to overcome these challenges consist of:

1. Preparing their organisations and their communication means;
2. Developing eligibility and alignment frameworks that are simple and workable;
3. Adapt internal means and processes to the above mentioned challenges.

The following section will focus on examples of best market practices for EU Taxonomy alignment in the real estate sector acquisition and ownership of existing building activity, especially focusing on the approaches and benchmarks adopted in different countries to ensure the compliance with EU Taxonomy TSC for "substantial contribution" and "do no significant harm".

5.2 Market examples

For the Acquisition and ownership of existing buildings activity, the European Taxonomy has established consumption thresholds of primary energy to determine whether an asset contributes substantially (Top15%) or does no significant harm (Top30%) climate change mitigation. Despite the installation of safeguards and directives derived from the EU Taxonomy, there is not yet a common approach across all countries to determine that a building is within the top 15% of the national building stock. Instead, the EU Taxonomy gives to individual countries the freedom to decide on the exact criteria themselves. The following list of examples is not exhaustive and only shows some early market examples which were noted at the time of producing these guidelines. Once the Taxonomy reporting requirements apply and more examples surface, more clarity will become available on this.



Example 1: France

In France, two entities are working separately to establish Benchmarks and best practices. On the one hand, the OID (Observatoire de l'immobilier Durable) is an association uniting public and private stakeholders in the French Real Estate Industry.

The OID, through its annual work of collecting energy and environmental performance data within the framework of the Energy Performance Barometer[1], constitutes a reference database in France, and is therefore able to provide the EU Taxonomy thresholds for France. The Building stock analysed includes several types of assets including offices, residential, shopping centers and large food surfaces for a total area of 18,522,057 m^2.

The thresholds are as follows:
Offices 206 kWh/m^2.year, Residential houses 150 kWh/m^2.year, Commercial centres 155 kWh/m^2.year, Shopping Malls 491 kWh/m^2.year.

When it comes to the top 15% definition of the building stock, the OID study is starting to be used as reference in France, at least until other studies are published or more guidance is provided by the regulatory authorities.

Please note this report has not been endorsed by the French auditor's organisation CNCC or the French Treasury. Such an approach should be confirmed with your external auditors in advance.

Source: [1] 4155_OID_Notice_Attenuation_du_changement_climatique_top15.pdf (taloen.fr)

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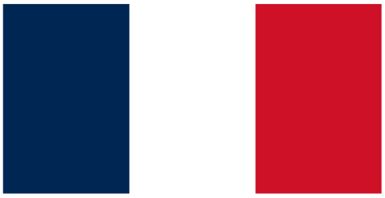

Example 1: France (cont'd)

On the other hand, the National Observatory for Energy Renovation (ONRE) is a public Government entity which aims to improve knowledge of the energy renovation dynamics of all residential and tertiary buildings. In their July 2022 study[1], they classify as Top 15% buildings all buildings that belong to EPC A, EPC B and part of EPC C. EPC A includes buildings consuming up to 70 kWh/m^2.year, EPC B between 70 and 110 kWh/m^2.year and EPC C between 110 and 180 kWh/m^2.year.

Example 2: Sweden

In Sweden, Fastighetsägarna, a trade association that works to find solutions for sustainable and functioning real estate challenges, is the entity that made a benchmark for the Top 15% of buildings. According to a December 2021 Fastighetsagarna's investigation, the threshold to be in the top 15% of the most energy-efficient buildings in Sweden depends on the nature of the building. Below a number of examples expressed in kWh/m2.year[1]:

Apartment buildings 75; Hotels, guest houses and dormitories 98; Restaurants 94; Office and administration 89; Food retail and warehouse premises 83; Other retail and warehouse premises 85; Shopping centers 98; Medical (24/7) 96; Medical (daytime) 92; Schools 98.

The whole valuation process will be continued and re-assessed throughout the lifecycles of the building.

Example 3: Germany

The phenomenon of two associations paving the way was also the case in the German real estate market. The Association of German PfandbriefBanks (vdp) together with the consulting firm Drees & Sommer have presented benchmarking that supports credit institutions in providing evidence of conformity with the EU taxonomy for real estate financing. Specifically, benchmarks are derived to meet the so-called top 15% criterion.

Energy efficiency classes A+ or A are required for apartment buildings. If there is no energy certificate for residential buildings, their belonging in the top 15% can also be proven by an energy consumption, which should be less than 74 kWh or 70 kWh per square meter.

For commercial properties a proof of the Energy Saving Ordinance (EnEV), applicable at the time the building was constructed, must be provided. Drees & Sommer came to the conclusion that office and retail properties belong to the top 15% of their property class if they at least meet the requirements of EnEV 2009. In the case of logistics properties, it can be assumed that they belong to the top 15% if they were built in accordance with the specifications of the EnEV 2014 or a more recent regulation.

On the other hand the German association on sustainable building ("DGNB") already created in 2009 a certificate for sustainability. The certification system proved to be sophisticated as it covers most of the EU Taxonomy criteria (the remaining criteria are covered by the minimal requirements of the German law) and is therefore used today most frequently in the German real estate market and also accredited world-wide.

Source:
[1] document_travail_60_parc_logements_dpe_juillet2022.pdf (developpement-durable.gouv.fr)
[2] https://www.dgnb-system.de
[3] www.dgnb.de/de/aktuell/positionspapiere-stellungnahmen/hintergrundinformation-eu-taxonomie/index.php

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Example 3: Germany (cont'd)

At the beginning of the evaluation process for the certification, an internal DGNB auditor is assigned to the project as to assess up to 37 sub-criteria, depending on the status of the building and across the domains: ecology, economy, social cultural aspects, construction, processes and location. The status can be a new building, an active building or a renovation. The building type (commercial, private etc.) determines the different weights of each criteria.[2]

Similarly to the case in France, the DGNB has become a market reference to determine the top 15% of building stock until further clarification or guidance is provided by regulators.

The whole valuation process will be continued and re-assessed throughout the lifecycle of the building. Subject to the assessment of each main criteria the auditor will award the building with a certificate in either bronze, silver, gold or platinum depending on the average completion rate of the criteria (e.g. platinum will be awarded at 80% general completion rate, if each criteria has at minimum 65%).[3]

If the DGNB system is further developed to match the Taxonomy, this may be used in a similar approach as the aforementioned example of Fastighetsägarna in Sweden.

Source:
[1] Gränsvärden för hållbara byggnader enligt EU:s taxonomi klara - Fastighetsägarna (fastighetsagarna.se)

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FINAL WORDS

The Real Estate sector, given its high environmental impact, is in the spotlight of EU Regulations aimed at redirecting financial flows towards more environmentally sustainable investments, in order to achieve carbon-neutrality by 2050 or other interim targets.

The EU Taxonomy provides specific rules to be able to classify activities as being "sustainable" from an environmental point of view, which provide a common ground for all actors to communicate on their sustainability-related information as well as the level of sustainability integration.

The sustainability shift in the European regulations aims for transparency over the sustainability readiness and significantly impacts organisations' strategy and operations within the real estate sector. Actors under the current scope (as per page 8 and 21) will need to screen and to monitor the percentage of their activities that classify as environmentally "sustainable" and to take actions towards a better sustainability integration. The process requires extensive resources to demonstrate eligibility and alignment with the EU Taxonomy, and also integration within the existing reporting processes. The level of transparency and readiness will impact the market on one hand by reducing risks and enhancing long term sustainable returns, on the other hand the enhanced due diligence procedures following the EU Taxonomy requirements for alignments. Given that clear industry standards for reporting have not yet been developed, there will be difference in interpretations and comparability between sustainability performances might still be difficult. Nevertheless, conservative approaches and auditor's confirmations in advance of reporting are strongly recommended to avoid any risk of greenwashing.

Adding to these complex requirements, the differences observed in the interpretation of criteria to comply with the EU Taxonomy across European countries adds another level of complexity for organisations that operate in several markets, as they will have to calculate the EU Taxonomy eligibility and alignment of their investments using the approach or set of criteria defined in each specific country.

In this context, and with other upcoming regulatory obligations (i.e. CSRD, Social Taxonomy) in the pipeline, organisations must remain in-tune with market practices and guidelines being published in order to continuously address the regulatory expectations at its highest level.

Disclaimer: *For the preparation of these guidelines we have based ourselves on the EU Taxonomy's text, public information and on exchanges with market participants. We do not take responsibility for the results from applying these guidelines, as they should be adapted to local regulations, your business model and the methodologies should be confirmed with an external auditor in advance. In these guidelines we have not sought to establish the reliability of sources and we do not accept any responsibility for the text presented nor the results from applying the methodologies herein.*

[1]European Union, *"In focus: Energy Efficiency in buildings"*, available at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

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Annex I – KPI Numerators

Turnover

- Part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned activities.
- Exclude part of the net turnover derived from products and services associated with economic activities that have been adapted to climate change in line with Article 11(1)(a) of the Taxonomy Regulation and in accordance with Annex II to Delegated Regulation (EU) unless those activities:
    a) qualify as enabling activities in accordance with Article 11(1), point (b) of Regulation 2020/852, or
    b) are themselves Taxonomy-aligned.

CapEx

The numerator shall include the part of the capital expenditure included in the denominator that is:

- related to assets or processes that are associated with Taxonomy-aligned economic activities, or
- part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ('CapEx plan') within a predefined timeframe, or
- related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, , notably activities listed in sections 7.3* to 7.6** of Annex I of the [Climate Delegated Act], as well as other economic activities listed in the delegated acts referred to in Articles 10(3), 11(3), 12(2), 13(2), 14(2), 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

OpEx

The numerator shall include the part of the operating expenditure included in the denominator that is:

- related to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that present research and development, or
- part of the CapEx plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe (see previous slide); or
- related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures as identified in the delegated acts adopted pursuant to in Articles 10(3), 11(3), 12(2), 13(2), 14(2), 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

Note: *Research and development costs already accounted for in the CapEx KPI shall not be counted as OpEx (for instance development costs for intangible assets, IAS 38).*

[1]European Union, "*In focus: Energy Efficiency in buildings*", available at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

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Annex II – KPI Denominators

Turnover
The denominator is net turnover, where • For applying IFRS: The amounts that are presented as "revenue" according to IAS 1 paragraph 82(a) should be count. • For applying national GAAP: The amounts that are accounted for under the corresponding provision in national GAAP should be count.

CapEx
The denominator shall cover additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any remeasurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator shall also cover additions to tangible and intangible assets resulting from business combinations. For applying IFRS: CapEx shall cover costs that are accounted based on: • IAS 16 Property, Plant and Equipment, paragraphs 73, (e), point (i) and point (iii); • IAS 38 Intangible Assets, paragraph 118, (e), point (i); • IAS 40 Investment Property, paragraphs 76, points (a) and (b) (for the fair value model); • IAS 40 Investment Property, paragraph 79(d), points (i) and (ii) (for the cost model); • IAS 41 Agriculture, paragraph 50, points (b) and (e); • IFRS 16 Leases, paragraph 53, point (h). For applying national GAAP: • Costs that correspond to the costs included in the capital expenditure by non-financial undertakings applying IFRS • Leases that do not lead to the recognition of a right-of-use over the asset shall not be counted as CapEx.

OpEx
The denominator shall cover direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party outsourcee that are necessary to ensure the continued and effective functioning of such assets. When applying national GAAP and not capitalising right-of-use assets lease costs shall be included in the OpEx in addition to the costs mentioned above.

[1]European Union, "*In focus: Energy Efficiency in buildings*", available at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

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Annex III – Contextual Information

Turnover
Explain the figures of Turnover KPI and the reasons for any changes in those figures in the reporting period. Provide all of the following information: • a quantitative breakdown of the numerator in order to illustrate the key drivers of change in the turnover KPI during the reporting period; • information about amounts related to Taxonomy-aligned activities pursued for non-financial undertakings' own internal consumption; • a qualitative explanation of key elements of change in the turnover KPI during the reporting period. Non-financial undertakings that have issued environmentally sustainable bonds or debt securities with the purpose of financing specific identified Taxonomy-aligned activities shall also disclose the turnover KPI adjusted to avoid double counting.

CapEx

Explain the figures of CapEx KPI and the reasons for any changes in those figures in the reporting period.
Provide all of the following information:
• a quantitative breakdown of the numerator:
    • additions to
        • property, plant and equipment,
        • to internally generated intangible assets, including in a business combination or acquired,
        • to investment properties acquired or recognised in the carrying amount and,
        • where applicable, to capitalised right-of-use assets;
    • additions related to acquisitions through business combinations;
    • expenses incurred in relation to Taxonomy-aligned economic activities and expenses incurred as part of a CapEx plan referred to in sections 1.1.2;
• a qualitative explanation of key elements of change in the CapEx KPI during the reporting period.
• Disclosing the key information about each of their CapEx plans, including all of the following:
    • the environmental objectives pursued;
    • the economic activities concerned;
    • research, development and innovation activities concerned (where relevant);
    • the period of time whereby each Taxonomy-aligned economic activity is expected to be expanded or whereby each economic activity is expected to become Taxonomy-aligned, including, in the latter case and where the period of time exceeds five years, an objective justification based on the specific features of the economic activity and the upgrade concerned;
    • the total capital expense expected to be incurred for that purpose during the reporting period and during the period of time of the CapEx plans.
Non-financial undertaking that have issued environmentally sustainable bonds or debt securities with the purpose of financing specific identified Taxonomy-aligned activities shall also disclose the CapEx KPI adjusted for the Taxonomy-aligned capital expenditure financed by such bonds or debt securities.

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Annex III
– Contextual Information (Cont.)

OpEx
Explain the figures of OpEx KPI and the reasons for any changes in those figures in the reporting period. Provide all of the following information: • a quantitative breakdown of the numerator; • a qualitative explanation of the key elements of change in the turnover KPI during the reporting period; • an explanation of the other expenditures relating to the day-to-day servicing of items of property plant and equipment that are included in the calculation of OpEx for both the numerator and denominator; • Where OpEx is part of a CapEx plan as referred to in sections 1.1.2.2. and 1.1.3.2., non-financial undertakings shall disclose the key information about each of their CapEx plans in line with the requirements of section 1.2.3.2.

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GLOSSARY

Commission Delegated Regulation of 4.6.2021: Delegated regulation supplementing Taxonomy Regulation by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

Commission Delegated Regulation of 6.7.2021: Delegated regulation supplementing Taxonomy Regulation by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

CSRD (Corporate Sustainability Reporting Directive): European directive on non-financial reporting which will be published in 2022. It aims to extend the requirements of the NFRD by expanding the scope of companies subject to extra-financial reporting obligations and detailing a common reporting methodology.

DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen): The German Association of Sustainable Buildings promotes the development of sustainable real estate and aims at raising public awareness on the necessity and feasibility of greener buildings.

DNSH (Do No Significant Harm): concept introduced in the Regulation of the European taxonomy to ensure that a activity contributing to one of the environmental objectives (e.g. climate change mitigation), does not cause harm to any of the other environmental objectives (for example: biodiversity).

EU Taxonomy: The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It could play an important role helping the EU scale up sustainable investment and implement the European green deal. The EU taxonomy would provide companies, investors and policymakers with appropriate definitions for economic activities which can be considered environmentally sustainable.

NFRD (Non-Financial Reporting Directive): European Directive 2014/95/EU which obliges large companies to publish non-financial information, relating to environmental matters, social, respect for human rights, the fight against corruption and diversity on boards administration. This directive exempts subsidiaries from their disclosure obligations if their parent undertaking publishes information for the entire group, including subsidiaries.

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GLOSSARY

NZEB (Nearly Zero Energy Building): concept of "building with almost zero energy consumption" defined by Directive 2010/31/EU, known as the EPBD (Energy) Directive Performance Building Directive). These are the buildings that have energy consumption low enough to may be covered by energy produced from renewable sources, including renewable sources on place or nearby.

OID (Observatoire De l' Immobilier Durable): The French-based Green Building Observatory is an independent space for exchanges between actors of the Real Estate industry on sustainable development, contributing to the rise of ESG topics in France and abroad.

SFDR (Sustainable Finance Disclosure Regulation): Regulation 2019/2088/EU on the publication of information in sustainability in the financial services sector, says "SFDR". This transparency obligation applies to financial markets actors and financial investment advisors at two levels: entity level and financial products.

VDP (Verband Deutscher Pfandbriefbanken): The Association of German Pfandbriefbanks represents the interests of the mortgage banks emitting pfandbriefs - covered bonds collateralised by long term assets – in front of national and European decision-making bodies and a broader public.

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ACRONYMS

CapEx: Capital Expenditure

CSRD: Corporate Sustainability Reporting Directive

CCA: Climate Change Adaptation

CCM: Climate Change Mitigation

DNSH: Do No Significant Harm

DGNB: Deutsche Gesellschaft für Nachhaltiges Bauen – German Association of Sustainable Buildings

EC: European Commission

EnEV: Energieeinsparverordnung – Energy Saving Ordinance

EPC: Energy Performance Certificate

EPRA: European Public Real Estate Association

ESG: Environmental, Social and Governance

EU: European Union

GAAP: General Accepted Accounting Principles

GWP: Global Warming Potential

KPI: Key Performance Indicators

IAS: International Accounting Standard

IFRS: International Financial Reporting Standard

IPCC: Intergovernmental Panel on Climate Change

NACE: Nomenclature of Economic Activities

NFPS: Non-Financial Performance Statement

NFRD: Non-Financial Reporting Directive

NZEB: Nearly Zero Energy Buildings

PED: Primary Energy Demand

OECD: Organisation for Economic Co-operation and Development

OID: Observatoire De l' Immobilier Durable

ONRE: National Observatory For Energy Renovations

OpEx: Operational Expenditure

RTS: Regulatory Technical Standards

SFDR: Sustainable Finance Disclosure Regulation

SMEs: Small and Medium Enterprises

S&T: Science and Technology

TSC: Technical Screening Criteria

UN: United Nations

VDP: Verband Deutscher Pfandbriefbanken – Association of German Pfandbriefbanks

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EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

ABOUT EPRA

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European Real Estate sector. With more than 280 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 690 billion of real estate assets and 94% of the market capitalisation of the FTSE EPRA Nareit Europe Index.

EPRA's mission is to promote, develop and represent the European public Real Estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices and the cohesion and strengthening of the industry.

Find out more about our activities on www.epra.com

EU Taxonomy Working Group:

For the purpose of formulating these guidelines, EPRA relied on the expert guidance and advice of a specially formed working group: alstria, Aroundtown, Cofinimmo, Gecina, Grainger, Icade, Immobiliaria Colonial, Klépierre, Pandox, SEGRO, Swiss Prime Site, TAG, Vonovia

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